

INITIAL STATEMENT OF REASONS NON-CONTROLLING SUMMARY

Property Tax Rule 474 Petroleum Refining Properties

Specific Purpose

The purpose of the proposed rule is to implement and make specific the requirements for valuation of real property, personal property, and fixtures used to refine petroleum.

Factual Basis

Section 1 of article XIII of the California Constitution provides that, unless otherwise provided by the California Constitution or the laws of the United States, all property is taxable and all assessed property is taxed in proportion to its full value. Subdivision (b) of section 2 of article XIII A of the California Constitution requires that the base year value of assessed property may not increase annually by more than the inflation factor prescribed in that subdivision.

Section 51 of the Revenue and Taxation Code implements these provisions by establishing methods for adjusting the base year values of assessed real property. Subdivision (d) of section 51 provides that “real property” means “that appraisal unit that person in the marketplace commonly buy and sell as a unit, or that is normally valued separately.”

The Board of Equalization proposes to adopt Rule 474 to clarify and make specific certain specialized appraisal techniques for the valuation of real property, personal property, and fixtures used to refine petroleum.

Proposed Rule 474 will (1) define “petroleum refining property;” and (2) establish a rebuttable presumption for purposes of recognizing declines in value that fixtures and machinery and equipment classified as improvements for a petroleum refining property are part of the same appraisal unit as the land and structures. The presumption must be overcome before fixtures are treated as a separate appraisal unit for declines in value, except when measuring declines in value caused by disaster, in which case land constitutes a separate appraisal unit.